

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of SAN DIEGO GAS &
ELECTRIC COMPANY (U 902 M) for
Review of its Safety Model Assessment
Proceeding Pursuant To Decision 14-12-025.

Application No. 15-05-002
(Filed May 1, 2015)

In the Matter of the Application of Pacific
Gas and Electric Company (U39E) for
Review of its Safety Models and Approaches.

Application No. 15-05-003
(Filed May 1, 2015)

Application of Southern California Gas
Company (U904G) for Review of its Safety
Model Assessment Proceeding Pursuant to
Decision 14-12-025.

Application No. 15-05-004
(Filed May 1, 2015)

Application of SOUTHERN CALIFORNIA
EDISON COMPANY (U 338-E), a
California Corporation, to Open a 2015
Safety Model Assessment Proceeding

Application No. 15-05-005
(Filed May 1, 2015)

**MUSSEY GRADE ROAD ALLIANCE REPLY TO PARTY COMMENTS
ON THE PROPOSED S-MAP DECISION**

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MUSSEY GRADE ROAD ALLIANCE REPLY TO PARTY COMMENTS ON THE PROPOSED S-MAP DECISION

I. INTRODUCTION

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission) the Mussey Grade Road Alliance (MGRA or Alliance) files these reply comments on the Proposed Decision in the combined S-MAP proceedings.¹ Comments were received from the Joint Intervenor, UCAN, CUE, ORA, SCE,² SDG&E, and PG&E.³

II. COMMENTS

Comments were prepared by Alliance expert Joseph Mitchell.

A. The “Test Drive” Should Address Concerns About The Joint Intervenor Approach

In general, utility parties disagree with the adoption of the Joint Intervenor Approach (JIA) at this time, while non-utility parties generally support it. Issues raised by the utilities generally mirror the comments that were raised in the workshops and in the comments and replies on the Joint Intervenor Whitepaper. The primary concern raised by utilities is that there are too many unknowns associated with the Joint Intervenor Approach, that we have not seen how it would apply at scale for complex utility-wide optimization problems, and that the Commission was premature in adopting the JIA prior to its being properly vetted.⁴

¹ A.15-05-002-5; DECISION ADOPTING THE MULTI-ATTRIBUTE APPROACH (OR UTILITY EQUIVALENT FEATURES) AND DIRECTING UTILITIES TO TAKE STEPS TOWARD A MORE UNIFORM RISK MANAGEMENT FRAMEWORK; June 14, 2016. (PD)

² A.15-05-002-5; SOUTHERN CALIFORNIA EDISON COMPANY’S (U 338-E) COMMENTS ON PROPOSED DECISION; July 5, 2016 (SCE Comments).

³ A.15-05-002-5; PACIFIC GAS AND ELECTRIC COMPANY’S COMMENTS ON THE PROPOSED DECISION ADOPTING THE MULTI-ATTRIBUTE APPROACH (OR UTILITY EQUIVALENT FEATURES) AND DIRECTING UTILITIES TO TAKE STEPS TOWARD A MORE UNIFORM RISK MANAGEMENT FRAMEWORK; July 5, 2016. (PG&E Comments).

⁴ A typical response may be found in the PG&E Comments: “the PD errs in conditionally adopting the Joint Intervenor ‘Multi-Attribute’ Approach because the record does not support this action.”

MGRA raised a number of concerns regarding the JIA in its own comments and reply on the Joint Intervenor White Paper, and proposed that “the Commission ‘test drive’ any candidate models prior to approving them for adoption as the ‘common’ probabilistic risk analysis model.:

“Specifically, a small set of detailed problems should be posed which are common across more than one utility. Each of these problems would then be solved, in detail, using any methodology that is a candidate for consideration by the Commission as a common approach”.⁵ This suggestion was adopted in the Proposed Decision.⁶

Some utilities assert that even the “test drive” approach is premature and that the JIA needs to undergo an additional “vetting” process prior to the “test drive”.⁷ However there has already been high-level theoretical “vetting” through the workshop and through the comment / reply process for the Joint Intervenor White Paper. We need to ask whether further high-level theoretical discussion would further illuminate the strengths and weaknesses of the JIA or whether it would be better to start defining solid, tangible risk problems that clearly illustrate the concerns that utilities and other parties raise. It has been MGRA’s assumption that “vetting” would be part and parcel of the “test drive” process. If the doors do not open or the motor does not start the test drive fails. If critical shortcomings are uncovered during the test problem definition phase for any model being evaluated, then the appropriateness of the model can be questioned at that time.

Utilities and intervenors have raised several areas of concern, and each of these should be associated with at least one test problem during the “test drive” phase. One of the most commonly raised issues is how the JIA treats high-impact, low-probability events.⁸ The issue of high-impact events (particularly wildfire) has also been of primary concern to MGRA throughout its history of intervening at the Commission, and we raised specific concerns with the JIA handling of extreme events in our filings during this proceeding.⁹ The framing of the discussion between the utilities, Joint Intervenor and the Commission should not be whether or not extreme events deserve special consideration or “exceptions”. If representative CoF and LoF distributions are chosen along with

⁵ REPLY OF THE MUSSEY GRADE ROAD ALLIANCE (MGRA) TO PARTY COMMENTS ON THE INTERVENOR SMAP WHITE PAPER; February 26, 2016; p. 6.

⁶ PD; p. 189; OP 1a.

⁷ PG&E Comments; pp. 8, 14. SCE Comments; p. 2.

⁸ Concerns were raised by PG&E (Comments, p. 4), SCE (Comments, p. 8), and SDG&E (Comments, p. 2).

⁹ A.15-05-002-5; Comments of the Mussey Grade Road Alliance (MGRA) on the Intervenor SMAP White Paper; February 12, 2016; pp. 5-7.

A.15-05-002-5; Mussey Grade Road Alliance Comments on the Safety and Enforcement Division Evaluation Report; April 25, 2016; pp. 9-12.

appropriate statistical methods, then the calculated risk scores associated with extreme events should reflect their true impact. We expect that the “test drive” phase will work through specific case studies of extreme event risks and allow all parties to examine how current utility models and the JIA would calculate risk scores and thereby validate which approaches are statistically valid. Likewise, we’d also anticipate that the “test-drive” process can also be used to evaluate the JIA approach to non-asset related risks raised by SDG&E and PG&E,¹⁰ such as cybersecurity issues, environmental issues or pandemics.

B. Proscription of Financial Risk Inclusion Requires Clarification

Southern California Edison correctly identifies a potential issue with the clarity of Conclusion of Law 36: “Prioritizing the reduction of safety risks should be geared towards safety risk regardless of financial considerations.”¹¹ Edison observes: “It is unclear whether ‘financial considerations’ refers only to financial impacts associated with risk events or if it also includes the financial costs associated with mitigations.”¹² Since it is a stated goal of this proceeding to develop methodologies to optimize utility safety spending, it is clear that removing all financial considerations from the optimization is not the Commission’s intent. Conclusion of Law 36 is rather intended to codify the assertion by MGRA and other intervenors that utility business risks have no proper place in safety spending calculations. As stated on p. 199 of the Proposed Decision: “For now, we agree with SED staff’s recommendation that the utilities should remove shareholders’ financial interests from consideration in their risk models and the decision frameworks used to support rate case expenditure proposals, especially at the operational level, unless the utility can make a good case for an exception otherwise.” MGRA would agree with SCE that Conclusion of Law 36 does not clearly reflect this intent. However MGRA is totally in agreement with the PD’s intent, and SCE is not. We propose that replacing the phrase “irrespective of financial considerations” with the phrase “and should not include shareholder financial interests” would address SCE’s point while maintaining the original intent of the PD.

¹⁰ SDG&E Comments, p. 3; PG&E Comments, pp. 8-12.

¹¹ PD; p. 188.

¹² SCE Comments; p. 7.

C. MGRA Would Benefit from a Less Aggressive Schedule for Phase 2

While MGRA appreciates and supports the Commission's desire to move expeditiously in this proceeding, as a small intervenor we have significant resource constraints and have deadlines in other safety and fire related proceedings as well. We therefore do not object to utility proposals for later dates for workshops and deadlines. While we do not want to hold back progress toward a comprehensive risk management program for California utilities, it is unlikely we would be able to fully participate in all activities under the schedule in the Proposed Decision. We would hope that the Commission verifies that sufficient resources will be available from intervenors and staff representing residents and ratepayers before adopting a final schedule for Phase 2.

III. SUGGESTED REVISIONS

In the previous section we provide alternative language to address an issue of clarity and intent raised by SCE:

p. 188: Conclusion of Law 36: "*Prioritizing the reduction of safety risks should be geared towards safety risk ~~regardless of financial considerations~~ **and should not include shareholder financial interests.***"

Respectfully submitted this 11th day of July, 2016,

By: /S/ ***Diane Conklin***

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